

# APPENDIX A – Results of Agreed-Upon Procedures

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Objective V & VI, Procedure 4.a.  
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List of Section 272 Affiliate Agreements Terminated During Test Period					
No.	section 272 Affiliate	Agreement Description	Termination Date	Terminated Prior to Contracted Termination Date	Reason for Termination Prior to Contracted Termination Date
14	MCI	Amendment One to Billing Services Agreement	04/01/06	Yes	Amendment One changed the Term to a month by month Term for a Six-Month Period only Effective 01/01/06; The Agreement was superseded by the new Billing Services Agreement (affiliates) Amendment 02 Effective 04/01/06
15	VES	Amendment No. 40 to Marketing and Sales Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 48 to Marketing and Sales Agreement
16	VES	Amendment No. 41 to Marketing and Sales Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 48 to Marketing and Sales Agreement
17	VES	Amendment No. 42 to Marketing and Sales Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 48 to Marketing and Sales Agreement
18	VES	Amendment No. 43 to Marketing and Sales Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 48 to Marketing and Sales Agreement
19	VES	Amendment No. 44 to Marketing and Sales Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 48 to Marketing and Sales Agreement
20	VES	Amendment No. 45 to Marketing and Sales Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 48 to Marketing and Sales Agreement

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No.	section 272 Affiliate	Agreement Description	Termination Date	Terminated Prior to Contracted Termination Date	Reason for Termination Prior to Contracted Termination Date
21	VES	Amendment No. 46 to Marketing and Sales Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 48 to Marketing and Sales Agreement
22	VES	Amendment No. 47 to Marketing and Sales Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 48 to Marketing and Sales Agreement
23	VES	Billing Services Agreement	06/30/05	No	
24	VES	Amendment No. 1 to Billing Services Agreement	06/30/05	No	
25	VES	Amendment No. 3 to Billing Services Agreement	06/30/05	No	
26	VES	Amendment No. 11 to Billing Services Agreement	06/30/05	No	
27	VES	Amendment No. 15 to Billing Services Agreement	06/30/05	No	
28	VES	Amendment No. 19 to General Services Agreement (GSA)	05/31/06	No	
29	VES	Amendment No. 6 to Sales and Marketing Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 11 to Sales and Marketing Agreement
30	VES	Amendment No. 7 to Sales and Marketing Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 11 to Sales and Marketing Agreement
31	VES	Amendment No. 8 to Sales and Marketing Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 11 to Sales and Marketing Agreement

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No.	section 272 Affiliate	Agreement Description	Termination Date	Terminated Prior to Contracted Termination Date	Reason for Termination Prior to Contracted Termination Date
32	VES	Amendment No. 9 to Sales and Marketing Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 11 to Sales and Marketing Agreement
33	VES	Amendment No. 10 to Sales and Marketing Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 11 to Sales and Marketing Agreement
34	VGNI	5030 Broadway, New York, NY Original Real Estate	01/31/06	Yes	This lease was terminated early as of 01/31/06 because Verizon New York sold the property. VGNI entered into a lease with the new owners of the building - no assignment was involved.
35	VGNI	5030 Broadway, New York, NY – Amendment 1	01/31/06	Yes	
36	VGNI	5030 Broadway, New York, NY – Amendment 2	01/31/06	Yes	
37	VGNI	5030 Broadway, New York, NY – Amendment 3	01/31/06	Yes	
38	VGNI	New York Special Construction Services NY2003-265036	01/06/05	No	
39	VGNI	New York Special Construction Services NY2003-265099	01/06/05	No	
40	VGNI	New York Special Construction Services NY2003-265108	01/06/05	No	
41	VGNI	Virginia Special Construction Services VA2003-272385	01/13/05	No	
42	VGNI	North Carolina Special Construction Services NC2004-01306	03/03/05	No	
43	VGNI	Rhode Island Special Construction Services RI2004-274159	03/03/05	No	

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No.	section 272 Affiliate	Agreement Description	Termination Date	Terminated Prior to Contracted Termination Date	Reason for Termination Prior to Contracted Termination Date
44	VGNI	Virginia Special Construction Services Case No: VA2004-289979	08/02/05	No	
45	VGNI	Service Agreement E-web	10/07/05	No	
46	VGNI	Service Agreement (E-Web) Amendment 1	10/07/05	No	
47	VGNI	Service Agreement (E-Web) Amendment 2	10/07/05	No	
48	VGNI	Service Agreement (E-Web) Amendment 3	10/07/05	No	
49	VGNI	Maryland Special Construction Services MD2004-290833	09/08/05	No	
50	VGNI	Service Agreement PA Op Svcs Work Stoppage	02/18/05	No	
51	VGNI	Maryland Special Construction MD2004-309770	02/09/06	No	
52	VGNI	North Carolina Special Construction NC2004-01314	02/09/06	No	
53	VGNI	10G IOTS Trial Agreement	12/09/05	No	
54	VGNI	OC192c Port Trial Agreement	12/06/05	No	
55	VGNI	NOOF 10G IOTS Trial Agreement	12/06/05	No	
56	VGNI	New Hampshire Special Construction Services NH2005-312430	03/10/06	No	
57	VGNI	Trial and Nondisclosure Agreement	04/26/05	No	
58	VGNI	New Jersey Special Construction Services NJ2005-314174	04/10/06	No	

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No.	section 272 Affiliate	Agreement Description	Termination Date	Terminated Prior to Contracted Termination Date	Reason for Termination Prior to Contracted Termination Date
59	VGNI	Virginia Special Construction Services VA2005-321299	05/16/06	No	
60	VGNI	New Hampshire Special Construction Services NH2005-328243	06/15/06	No	
61	VGNI	Virginia Special Construction Svcs VA 2005-335419	08/11/06	No	
62	VGNI	Maryland Special Construction Services MD 2005-333991	08/16/06	No	
63	VGNI	MA Special Construction Services MA 2005-319134	08/18/06	No	
64	VGNI	Nondisclosure Agreement for Level Two Information	09/25/06	No	
65	VLD	Agreement for the Provision of 272 Affiliate Contracts On CD ROM	03/31/06	No	
66	VLD	Asset Purchase Agreement	08/31/06	No	
67	VLD	Service Agreement (IntraCorporate Information Exchange)	10/31/05	No	
68	VLD	Amendment No. 40 to Marketing and Sales Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 48 to Marketing and Sales Agreement
69	VLD	Amendment No. 41 to Marketing and Sales Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 48 to Marketing and Sales Agreement

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No.	section 272 Affiliate	Agreement Description	Termination Date	Terminated Prior to Contracted Termination Date	Reason for Termination Prior to Contracted Termination Date
70	VLD	Amendment No. 42 to Marketing and Sales Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 48 to Marketing and Sales Agreement
71	VLD	Amendment No. 43 to Marketing and Sales Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 48 to Marketing and Sales Agreement
72	VLD	Amendment No. 44 to Marketing and Sales Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 48 to Marketing and Sales Agreement
73	VLD	Amendment No. 45 to Marketing and Sales Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 48 to Marketing and Sales Agreement
74	VLD	Amendment No. 46 to Marketing and Sales Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 48 to Marketing and Sales Agreement
75	VLD	Amendment No. 47 to Marketing and Sales Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 48 to Marketing and Sales Agreement
76	VLD	Amendment No. 19 to General Services Agreement (GSA)	05/31/06	No	
77	VLD	Amendment No. 6 to Sales and Marketing Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 11 to Sales and Marketing Agreement

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List of Section 272 Affiliate Agreements Terminated During Test Period					
No.	section 272 Affiliate	Agreement Description	Termination Date	Terminated Prior to Contracted Termination Date	Reason for Termination Prior to Contracted Termination Date
78	VLD	Amendment No. 7 to Sales and Marketing Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 11 to Sales and Marketing Agreement
79	VLD	Amendment No. 8 to Sales and Marketing Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 11 to Sales and Marketing Agreement
80	VLD	Amendment No. 9 to Sales and Marketing Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 11 to Sales and Marketing Agreement
81	VLD	Amendment No. 10 to Sales and Marketing Agreement	05/15/06	Yes	All of Appendices to Agreement Deleted and Replaced in Amendment No. 11 to Sales and Marketing Agreement
82	VLD	Billing Services Agreement	06/30/05	No	
83	VLD	Amendment No. 1 to Billing Services Agreement	06/30/05	No	
84	VLD	Amendment No. 3 to Billing Services Agreement	06/30/05	No	
85	VLD	Amendment No. 11 to Billing Services Agreement	06/30/05	No	
86	VLD	Amendment No. 15 to Billing Services Agreement	06/30/05	No	
87	VSSI	Assignment and Assumption Agreement for State of NC	12/15/05	No	

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List of Section 272 Affiliate Agreements Terminated During Test Period					
No.	section 272 Affiliate	Agreement Description	Termination Date	Terminated Prior to Contracted Termination Date	Reason for Termination Prior to Contracted Termination Date
88	VSSI	Enterprise Test Agreement	08/01/05	No	
89	VSSI	Master Assignment and Assumption Agreement (CPE)	02/28/05	No	
90	VSSI	Master Services Agreement CPE - SOW	05/02/05	Yes	The Master Services Agreement CPE - SOW, Amendment 1, Amendment 3, Amendment 4 and Amendment 5 were terminated early as of May 2, 2005, because VZ Communications sold its interest in Verizon Hawaii. (Note: Amendment 2 is not in this report because it was previously terminated on 10/24/02 and was superceded by Amendment 3).
91	VSSI	Master Services Agreement CPE – SOW – Amendment 1	05/02/05	Yes	
92	VSSI	Master Services Agreement CPE – SOW – Amendment 3	05/02/05	Yes	
93	VSSI	Master Services Agreement CPE – SOW – Amendment 4	05/02/05	Yes	
94	VSSI	Master Services Agreement CPE – SOW – Amendment 5	05/02/05	Yes	
95	VSSI	Master Services Agreement CPE-SOW Non-Regulated CPE Support Services	03/17/05	No	
96	VSSI	Master Services Agreement CPE-SOW Non-Regulated CPE Support Services Amendment 1	03/17/05	No	
97	VSSI	Nondisclosure Agreement (IOBI Voicemail Interface Agreement NDA)	04/14/06	No	
98	VSSI	Revocable License Agreement (Earth City, MO)	11/20/05	No	
99	VSSI	Revocable License Agreement (Houston, TX)	10/28/05	No	



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List of Section 272 Affiliate Agreements Terminated During Test Period					
No.	section 272 Affiliate	Agreement Description	Termination Date	Terminated Prior to Contracted Termination Date	Reason for Termination Prior to Contracted Termination Date
100	VSSI	Service Agreement (E-Web)	10/07/05	No	
101	VSSI	Service Agreement (E-Web) Amendment 1	10/07/05	No	
102	VSSI	Service Agreement (E-Web) Amendment 2	10/07/05	No	
103	VSSI	Service Agreement (E-Web) Amendment 3	10/07/05	No	
104	VSSI	Service Agreement (Intracorporate Information Exchange)	10/31/05	No	
105	VSSI	Trial and Nondisclosure Agreement	04/26/05	No	
106	VSSI	Verizon Affiliates Billing Services Agreement	06/30/05	No	
107	VSSI	Verizon Affiliates Billing Services Agreement – Amendment 3	06/30/05	No	
108	VSSI	Verizon Affiliates Billing Services Agreement Amendment 1	06/30/05	No	
109	VSSI	Verizon Affiliates Billing Services Agreement Amendment 12	06/30/05	No	
110	VSSI	Verizon Affiliates Billing Services Agreement Amendment 15	06/30/05	No	
111	VSSI	Verizon Affiliates Billing Services Agreement Amendment 2	06/30/05	No	
112	VSSI	Verizon Affiliates Billing Services Agreement Amendment 5	06/30/05	No	

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List of Section 272 Affiliate Agreements Terminated During Test Period					
No.	section 272 Affiliate	Agreement Description	Termination Date	Terminated Prior to Contracted Termination Date	Reason for Termination Prior to Contracted Termination Date
113	VSSI	Verizon Affiliates Billing Services Agreement Amendment 7	06/30/05	No	
114	VSSI	Verizon Affiliates Billing Services Agreement Amendment 8	06/30/05	No	
115	VSSI	Verizon Affiliates Billing Services Agreement Direct Bill Services MOU	03/23/06	No	

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Attachment A-2  
Objective V & VI, Procedure 5  
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## Objectives V & VI; Procedure 5 Summary of Web Posting Completeness and Accuracy Results

**Form 2** - These results would be developed based on the Form 1 results for each sample.

Col. A	Col. B	Col. C	Col.D	Col. E
	Accuracy of Web Postings		Completeness of Web Posting	
	Total Number of Items Checked in Sample	Errors Found in Sample	Total Number of Items Checked in Sample	Errors Found in Sample
Sample # 1	1,916	1	2,873	0
Sample # 2	45	0	18	0
Sample # 3	15	0	21	0
Sample # 4	6	0	8	0
Sample # 5	6	0	8	0
Sample # 6	21	0	6	0
Sample # 7	27	0	11	0
Sample # 8	11	0	14	0
Sample # 9	49	0	14	0
Sample # 10	17	0	11	0
Sample # 11	43	0	45	0
Sample # 12	21	0	6	0
Sample # 13	18	0	6	0
Sample # 14	20	0	14	0
Sample # 15	714	0	708	0
Sample # 16	43	0	45	0
Sample # 17	8	0	9	0
Sample # 18	20	0	6	0
Sample # 19	23	1	12	0
Sample # 20	20	0	6	0
Sample # 21	5	0	5	0
Sample # 22	7	0	8	0
Sample # 23	4	0	5	0
Sample # 24	14	0	26	0
Sample # 25	15	0	29	0
Sample # 26	21	0	5	0
Sample # 27	12	0	11	0
Sample # 28	9	0	9	0
Sample # 29	15	0	26	0
Sample # 30	6	0	8	0

# APPENDIX A – Results of Agreed-Upon Procedures

Attachment A-2

Objective V & VI, Procedure 5

Page 2 of 2

## Objectives V & VI; Procedure 5 Summary of Web Posting Completeness and Accuracy Results

**Form 2** - These results would be developed based on the Form 1 results for each sample.

Sample # 31	6	0		8	0
Sample # 32	6	0		8	0
Sample # 33	5	0		7	0
Sample # 34	4	0		5	0
Sample # 35	7	0		9	0
Sample # 36	14	0		17	0
Sample # 37	8	0		9	0
Sample # 38	51	0		45	0
Sample # 39	151	0		265	0
Sample # 40	20	0		6	0
Sample # 41	20	0		6	0
Sample # 42	149	0		265	0
Sample # 43	34	0		19	0
<b>Totals</b>	3,626	2		4,642	0
<b>Error Rate as a Percentage</b>		0.1%			0.0%

# APPENDIX A – Results of Agreed-Upon Procedures

Attachment A-5  
Objective VIII, Procedure 5  
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Differences Noted in Performance Measurement Results Replication – June 2005

Metric	Service	Customer	Verizon Reported Denominator	Replicated Denominator	Denominator Match?	Verizon Reported Performance	Replicated Performance	Performance Match?	Verizon Reported Std Dev	Replicated Std Dev	Std Dev Match?
CTTR	DS3	Non-Affiliate	173	174	NO	0	0	YES	0	0	YES

END:

Metric	Customer
Failure Rate/Trouble Report Rate	Verizon 272 Affiliates 272-affiliate Aggregate
Firm Order Confirmation (F OC) Timeliness	Verizon Affiliates Verizon ILEC & Other (non-272) Affiliate Aggregate
Average Repair Interval/Mean Time to Restore	Non-Affiliate Non-affiliate Aggregate
New Installation Trouble Report Rate	
Percent Installation Appointments Met	
Average Time of PIC Change	

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Differences Noted in Performance Measurement Results Replication – June 2005

Metric	Service	Customer	Verizon Reported Denominator	Replicated Denominator	Denominator Match?	Verizon Reported Performance	Replicated Performance	Performance Match?	Verizon Reported Std Dev	Replicated Std Dev	Std Dev Match?
FOCT	DS3	Verizon 272 Affiliates	23	18	NO	100	100	YES	0	0	YES

END:

Metric	Customer
Failure Rate/Trouble Report Rate	Verizon 272 Affiliates 272-affiliate Aggregate
Firm Order Confirmation (F OC) Timeliness	Verizon Affiliates Verizon ILEC & Other (non-272) Affiliate Aggregate
Average Repair Interval/Mean Time to Restore	Non-Affiliate Non-affiliate Aggregate
New Installation Trouble Report Rate	
Percent Installation Appointments Met	
Average Time of PIC Change	

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Differences Noted in Performance Measurement Results Replication – June 2005

Metric	Service	Customer	Verizon Reported Denominator	Replicated Denominator	Denominator Match?	Verizon Reported Performance	Replicated Performance	Performance Match?	Verizon Reported Std Dev	Replicated Std Dev	Std Dev Match?
NITR	DS0	Verizon 272 Affiliates	20	20	YES	20	15	NO	0.41	0.36	NO
NITR	DS3	Non -Affiliate	21	20	NO	4.76	5	NO	0.22	0.22	YES

END:

Metric		Customer	
R	Failure Rate/Trouble Report Rate	Verizon 272 Affiliates	272-affiliate Aggregate
T	Firm Order Confirmation (F OC) Timeliness	Verizon Affiliates	Verizon ILEC & Other (non-272) Affiliate Aggregate
D	Average Repair Interval/Mean Time to Restore	Non-Affiliate	Non-affiliate Aggregate
R	New Installation Trouble Report Rate		
M	Percent Installation Appointments Met		
	Average Time of PIC Change		

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ences Noted in Performance Measurement Results Replication – June 2005

Metric	Service	Customer	Verizon Reported Denominator	Replicated Denominator	Denominator Match?	Verizon Reported Performance	Replicated Performance	Performance Match?	Verizon Reported Std Dev	Replicated Std Dev	Std Dev Match?
MAD	DS0	Verizon 272 Affiliates	95	94	NO	5.53	5.52	NO	4.06	4.08	NO
CTTR	DS0	Verizon 272 Affiliates	4691	4691	YES	2.03	2	NO	0.14	0.14	YES

ND:

Customer	
Failure Rate/Trouble Report Rate	Verizon 272 Affiliates 272-affiliate Aggregate
Firm Order Confirmation (F OC) Timeliness	Verizon Affiliates Verizon ILEC & Other (non-272) Affiliate Aggregate
Average Repair Interval/Mean Time to Restore	Non-Affiliate Non-affiliate Aggregate
New Installation Trouble Report Rate	
Percent Installation Appointments Met	
Average Time of PIC Change	



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ences Noted in Performance Measurement Results Replication – June 2005

Metric	Service	Customer	Verizon Reported Denominator	Replicated Denominator	Denominator Match?	Verizon Reported Performance	Replicated Performance	Performance Match?	Verizon Reported Std Dev	Replicated Std Dev	Std Dev Match?
PIAM	DS0	Verizon 272 Affiliates	157	160	NO	88.54	88.13	NO	0.32	0.32	YES
NITR	DS1	Verizon 272 Affiliates	555	560	NO	4.32	4.29	NO	0.2	0.2	YES
NITR	DS1	Non-Affiliate	3126	3130	NO	3.58	3.64	NO	0.19	0.19	YES
PIAM	DS1	Verizon 272 Affiliates	608	617	NO	89.97	90.11	NO	0.3	0.3	YES
PIAM	DS1	Non-Affiliate	3330	3337	NO	91.77	91.79	NO	0.27	0.27	YES
NITR	DS3	Verizon 272 Affiliates	45	47	NO	0	0	YES	0	0	YES

ND:

Metric		Customer	
R	Failure Rate/Trouble Report Rate	Verizon 272 Affiliates	272-affiliate Aggregate
T	Firm Order Confirmation (F OC) Timeliness	Verizon Affiliates	Verizon ILEC & Other (non-272) Affiliate Aggregate
O	Average Repair Interval/Mean Time to Restore	Non-Affiliate	Non-affiliate Aggregate
R	New Installation Trouble Report Rate		
M	Percent Installation Appointments Met		
	Average Time of PIC Change		

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Metric	Service	Customer	Verizon Reported Denominator	Replicated Denominator	Denominator Match?	Verizon Reported Performance	Replicated Performance	Performance Match?	Verizon Reported Std Dev	Replicated Std Dev	Std Dev Match?
MAD	DSO	Verizon Affiliates	2	2	YES	1.91	1.92	NO	0.94	0.94	YES

END:

Metric		Customer	
R	Failure Rate/Trouble Report Rate	Verizon 272 Affiliates	272-affiliate Aggregate
T	Firm Order Confirmation (F OC) Timeliness	Verizon Affiliates	Verizon ILEC & Other (non-272) Affiliate Aggregate
D	Average Repair Interval/Mean Time to Restore	Non-Affiliate	Non-affiliate Aggregate
R	New Installation Trouble Report Rate		
M	Percent Installation Appointments Met		
	Average Time of PIC Change		

See underlying *General Standard Procedures*

**JOINT FEDERAL/STATE OVERSIGHT TEAM  
FOR  
VERIZON COMMUNICATIONS INC.**

**GENERAL STANDARD PROCEDURES  
FOR  
BIENNIAL AUDITS  
REQUIRED UNDER SECTION 272  
OF THE  
COMMUNICATIONS ACT OF 1934, AS AMENDED  
FOR THE PERIOD JANUARY 3, 2005 THROUGH JANUARY 2, 2007  
Final Procedures – June 13, 2007**

**JOINT FEDERAL/STATE OVERSIGHT TEAM  
FOR  
VERIZON COMMUNICATIONS INC.  
GENERAL STANDARD PROCEDURES  
FOR  
BIENNIAL AUDITS  
REQUIRED UNDER SECTION 272  
OF THE  
COMMUNICATIONS ACT OF 1934, AS AMENDED  
FOR THE PERIOD JANUARY 3, 2005 THROUGH JANUARY 2, 2007  
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<b>Attachments:</b>		
Attachment 1:	Objectives V and VI, Procedure 5: Assessing Individual Web Postings	
Attachment 2:	Objectives V and VI, Procedure 5: Summary of Web Posting Completeness and Accuracy Results	

# VERIZON COMMUNICATIONS INC. BIENNIAL ENGAGEMENT PROCESS

## INTRODUCTION

### Background

1. Section 272(a) of the Communications Act of 1934, as amended (the Act), requires that a Bell Operating Company (BOC) set up one or more separate affiliates before engaging in manufacturing activities, in-region interLATA services, and interLATA information services. For interLATA information services, this requirement expired on February 8, 2000 in accordance with the Act. Before engaging in the provision of in-region interLATA services, a BOC or an affiliate of the BOC must meet the requirements of section 271 of the Act and must receive approval by the Federal Communications Commission (FCC or Commission). A BOC that is required to operate a separate affiliate under section 272 must obtain and pay for a joint Federal/State audit every two years.<sup>1</sup>

2. The Commission adopted rules to implement the section 272(d) biennial audit requirement. *See Accounting Safeguards Order* at paras. 197-205; *see also* 47 C.F.R. § 53.209-.213. The Commission's part 53 rules and accompanying orders govern the conduct of the section 272(d) biennial audit. As stated in the Commission's part 53 rules, the purpose of the section 272(d) biennial audit is to determine whether the BOC and its section 272 affiliates have operated in accordance with the accounting and non-accounting safeguards required by section 272 of the Act and the Commission's rules. 47 C.F.R. § 53.209(b) (listing the specified compliance requirements of the section 272(d) biennial audit). In addition to specifying the audit requirements, the Commission's rules provide for the establishment of a Federal/State joint audit team that is authorized to oversee the conduct of the audit from the planning stage to its completion and to "direct the independent auditor to take any actions necessary to ensure compliance with the audit requirements [in 47 C.F.R. § 53.209(b)]." 47 C.F.R. § 53.209(d). Although the section 272(d) biennial audit is to be conducted by an independent auditor, the Federal/State joint audit team is also responsible for ensuring that the audit meets the objectives stated in the Commission's rules and orders. 47 C.F.R. §§ 53.209(d) (stating that the Federal/State joint audit team is responsible for "overseeing the planning of the audit"); 53.211(b) (requiring the Federal/State joint audit team to review the audit requirements and authorizing the Federal/State joint audit team to modify the audit program); 53.211(c) (authorizing the Federal/State joint audit team to approve the audit requirements and program); 53.211(d). In accordance with Statements on Standards For Attestation Engagements, 10, Paragraph 1.03: "When a practitioner undertakes an attest engagement for the benefit of a

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<sup>1</sup> 47 U.S.C. § 272(d).



government body or agency and agrees to follow specified government standards, guides, procedures, statutes, rules and regulations, the practitioner is obliged to follow those governmental requirements as well as applicable attestation standards.”

3. Working pursuant to delegated authority, the Federal/State joint audit team elected to use the Agreed-Upon Procedures (AUP) form of attestation engagement to meet the objectives specified in the Commission’s rules, *i.e.*, to determine whether the BOC and its section 272 affiliates complied with the relevant accounting and non-accounting safeguards. The American Institute of Certified Public Accountants (AICPA) defines an AUP engagement as “one in which a practitioner is engaged by a client to issue a report of findings based on specific procedures performed on subject matter.”<sup>2</sup> For the purposes of planning this AUP engagement and developing the appropriate audit procedures, the “specified parties” consist of the Federal/State joint audit team (“Oversight Team” or “Joint Oversight Team”) and the company responsible for obtaining and paying for the section 272(d) biennial audits (*i.e.*, Verizon Communications Inc. (“Verizon”). The Oversight Team will be comprised of members from the FCC and members of the state commissions who have jurisdiction over Verizon’s local telephone services in their respective states<sup>3</sup> and who have chosen to participate in the Biennial Audit and have either signed a Protective Agreement or the State commission has promulgated a Protective Order.

The Oversight Team is responsible for reviewing the conduct of the engagement and, after having apprised Verizon of their intention, for directing the practitioner to take such action as the team finds necessary to achieve each audit objective. Consistent with section 53.209(d) of the Commission’s rules, the Oversight Team may direct the independent auditor to take any actions necessary to ensure compliance with the audit requirements of section 53.209(b) as reflected in letters or orders issued by the Bureau staff and served on Verizon. If Verizon disagrees with the Oversight Team’s directions, the Oversight Team will issue a written decision describing the specific directions to which Verizon objects. Verizon may file a petition for reconsideration of that decision with the Enforcement Bureau pursuant to section 1.106 of the Commission’s rules. The specified parties agree that the independent auditor shall implement the directions of the Oversight Team ten business days after such decision is issued if Verizon has not filed a petition for reconsideration. The specified parties further agree that if the Enforcement Bureau denies any part of Verizon’s petition for reconsideration, the independent auditor shall immediately implement the Enforcement Bureau’s decision.

Verizon may also file an Application for Review of the Enforcement Bureau’s decision pursuant to section 1.115 of the Commission’s rules. The independent auditor shall nonetheless

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<sup>2</sup> Statement on Standards for Attestation Engagements (SSAE) 10, paragraph 2.03, published by the American Institute of Certified Public Accountants.

<sup>3</sup> Connecticut, District of Columbia, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, and West Virginia.